

## Message Text

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PAGE 01 STATE 135471  
ORIGIN EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 DODE-00 NSAE-00  
USIA-06 TRSE-00 ERDA-05 CIAE-00 COME-00 PM-04  
H-01 INR-07 L-03 NSC-05 PA-01 PRS-01 SP-02 SS-15  
ACDA-07 MC-02 /086 R

DRAFTED BY EB/ITP/EWT:AJREICHENBACH

APPROVED BY EB/ITP/EWT:WAROOT

EA/PRCM - JAUBERT

COMMERCE/OEA - JDYTRT (INFO)

-----111858Z 034516 /44

R 110053Z JUN 77

FM SECSTATE WASHDC

TO USLO PEKING

INFO AMEMBASSY BONN

AMEMBASSY TOKYO

AMEMBASSY PARIS

C O N F I D E N T I A L STATE 135471

USOECD

E.O. 11652: GDS

TAGS: ESTC, CH, US, JA, GW

SUBJECT: POSSIBLE FRG AND JAPANESE COCOM VIOLATIONS

REF: PEKING 1077

1. THE DEPARTMENT DOES NOT DISCOUNT DIVERSION OF VARIOUS STRATEGIC GOODS TO THE PRC IN CIRCUMVENTION OF COCOM REGULATIONS. HOWEVER, WE ARE NOT PRESENTLY AWARE OF DIVERSION OF SOPHISTICATED MACHINE TOOLS AS DESCRIBED TO IBM BY INDIVIDUALS IN THE THIRD DEPARTMENT OF TECHIMPORT.

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2. NUMERICALLY-CONTROLLED (NC) MACHINE TOOLS SIMULTANEOUSLY COORDINATED IN FIVE AXES ARE ON THE COCOM EMBARGO LIST TO WHICH BOTH THE GERMANS AND JAPANESE SUBSCRIBE. TO THE BEST OF OUR KNOWLEDGE, NO APPLICATION HAS BEEN FILED BY EITHER COUNTRY TO SELL FIVE-AXIS MACHINES OF THIS TYPE TO THE PRC. THIS IS NOT TO SAY THAT THE EQUIPMENT COULD HAVE REACHED THE PRC THROUGH OTHER MEANS, I.E., UNLICENSED, FALSE

DOCUMENTATION OR VIA THIRD (NEUTRAL) COUNTRIES, WITHOUT THE KNOWLEDGE OF FRG OR COJ LICENSING OFFICIALS. IT IS FURTHER POSSIBLE THAT HITACHI OR SIEMENS HAS SOLD TO THE PRC UNEMBARGOED MACHINES (E.G. MULTI-AXIS BUT CAPABLE OF SIMULTANEOUS COORDINATION IN NO MORE THAN TWO AXES) AND THE PRC IS USING AN ALLEGED BREACH IN THE EMBARGO AS A CARROT AND STICK APPROACH TO IBM IN HOPES OF ENCOURAGING THAT FIRM (AND ITS INFLUENCE) TO SUPPORT CHINA'S STANCE THAT THE COCOM EMBARGO IS PREJUDICIAL AND UNENFORCEABLE IN TRADE IN STRATEGIC ITEMS.

3. IF MESSRS. JOSEPH AND RYAN ARE STILL IN PEKING, THE MISSION CAN ADVISE THEM CONFIDENTIALLY OF THE ABOVE, FOR IT MAY BE USEFUL GUIDANCE IN THEIR CONTINUING CONVERSATIONS WITH PRC OFFICIALS. SHOULD THE CHINESE AGAIN RAISE THE HITACHI/SIEMENS ISSUE, THE IBMER'S WOULD BE WELL ADVISED TO ASK TO SEE SOME OF THE EQUIPMENT IN QUESTION. WE DOUBT WHETHER SUCH VIEWING WOULD BE ALLOWED, BUT WERE IT POSSIBLE, THE VISITORS SHOULD TRY TO DEFINITELY ASCERTAIN WHETHER THE EQUIPMENT CAN INDEED BE SIMULTANEOUSLY COORDINATED IN MORE THAN TWO AXES.

FYI: IBM-WASHINGTON INFORMS US THAT BOTH JOSEPH AND RYAN HAVE YEARS OF EXPERIENCE WITH IBM AND ARE NOT UNFAMILIAR WITH VARIOUS PLOYS USED BY FOREIGN FIRMS TO OBTAIN LICENSEABLE GOODS. THEY CAN BE EXPECTED TO ACT APPROPRIATELY IN THEIR DEALINGS WITH THE PRC OFFICIALS. VANCE

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## Message Attributes

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**Disposition Date:** 22 May 2009  
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**Disposition Reason:**  
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**Document Unique ID:** 00  
**Drafter:** AJREICHENBACH  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Status:** NATIVE  
**Subject:** POSSIBLE FRG AND JAPANESE COCOM VIOLATIONS  
**TAGS:** ESTC, ELEC, CH, US, JA, GE, COCOM, IBM  
**To:** PEKING  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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